

**CBOE EDGA EXCHANGE, INC.**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 2017055792103**

TO: Cboe EDGA Exchange, Inc.  
c/o Department of Market Regulation  
Financial Industry Regulatory Authority ("FINRA")

RE: RBC Capital Markets, LLC, Respondent  
Broker-Dealer  
CRD No. 31194

Pursuant to Rule 8.3 of the Rules of Cboe EDGA Exchange, Inc. ("EDGA"), RBC Capital Markets, LLC (the "firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, EDGA will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. The firm hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of EDGA, or to which EDGA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by EDGA:

**BACKGROUND & RELEVANT DISCIPLINARY HISTORY**

The firm became registered with EDGA on May 14, 2010 and a member of FINRA on March 19, 1993, and its registrations remain in effect. The firm has no relevant disciplinary history.

**SUMMARY**

FINRA, on behalf of EDGA, reviewed the firm's handling of Intermarket Sweep Orders ("ISOs") for compliance with Exchange Act Rule 611 ("Rule 611") and related EDGA requirements during the period of May 23, 2012 through February 12, 2018 (the "review period").

Based on its review, FINRA found that the firm violated Rule 611, and EDGA Rules 3.1, 5.1, and 11.8(c).<sup>1</sup>

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<sup>1</sup> Related disciplinary actions on behalf of Cboe BZX Exchange, Inc. ("BZX") and Cboe EDGX Exchange, Inc. ("EDGX") concurrently are being taken in conjunction with this matter.

## FACTS AND VIOLATIVE CONDUCT

1. Rule 611, also known as the Order Protection Rule, was established to prevent the execution of trades at prices inferior to protected quotations displayed by automated trading centers, subject to applicable exceptions. ISOs are one such exception. The ISO exception contemplates a market participant seeking to access the full displayed sizes of multiple price levels at different trading centers at the same time.<sup>1</sup>
2. During the review period, the firm failed to take reasonable steps to establish that certain of the ISOs it routed met the definitional requirements set forth in Exchange Act Rule 600(b)(30). Specifically, one of the firm's trading desks routed ISOs to best-priced protected quotations in a quantity that was less than the full displayed size of the protected quotation.<sup>2</sup> Without receiving a response from the market center displaying the best-priced protected quotation and within one second of sending the initial ISOs, the firm subsequently routed additional ISOs to inferior-priced protected quotations. Since the firm's initial ISO in these instances was for less than the full displayed size of the best-priced protected quotation, there was additional liquidity available at the best-priced quotation even if the initial ISO executed in full. Therefore, the firm's subsequent ISOs to inferior-priced protected quotations, if executed, would have traded through the quantity remaining at the best-priced protected quotation. The conduct described in this paragraph constitutes a violation of Rule 611(e) and EDGA Rule 11.8(c).<sup>3</sup>
3. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of EDGA, concerning ISOs that complied with the SEC's Regulation NMS. Specifically, the firm's Regulation NMS ISO exception reports, which firm personnel reviewed, did not identify instances where an ISO was routed for less than the full displayed size of a protected quotation. The conduct described in this paragraph constitutes a violation of EDGA Rules 3.1 and 5.1.<sup>4</sup>

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<sup>1</sup> Rule 611(c) requires a broker-dealer that routes an ISO to "take reasonable steps to establish that [the ISO] meets the requirements set forth in [Exchange Act Rule 600(b)(30)]." Exchange Act Rule 600(b)(30) defines the term "intermarket sweep order" as "a limit order for an NMS stock that meets the following requirements: (i) When routed to a trading center, the limit order is identified as an intermarket sweep order; and (ii) Simultaneously with the routing of the limit order identified as an intermarket sweep order, one or more additional limit orders, as necessary, are routed to execute against the full displayed size of any protected bid, in the case of a limit order to sell, or the full displayed size of any protected offer, in the case of a limit order to buy, for the NMS stock with a price that is superior to the limit price of the limit order identified as an intermarket sweep order. These additional routed orders also must be marked as intermarket sweep orders."

<sup>2</sup> The firm trading desk at issue ceased routing ISOs as of February 12, 2018.

<sup>3</sup> EDGA Rule 11.8(c) sets out the EDGA requirements for ISOs.

<sup>4</sup> EDGA Rule 5.1 requires members to "establish, maintain and enforce written procedures which will enable it to supervise properly the activities of associated persons of the Member and to assure their compliance" with EDGA rules and the federal securities laws. EDGA Rule 3.1 states that "[a] Member,

B. The firm also consents to the imposition of the following sanctions:

A censure and a total fine of \$30,000 to be paid jointly to EDGA, BZX, and EDGX, of which \$3,000 is allocated to EDGA, and an undertaking to revise the firm's supervisory procedures with respect to the areas described in paragraph I.A.3. Within 30 business days of acceptance of this AWC by the Chief Regulatory Officer ("CRO"), a registered principal of the firm shall submit to the COMPLIANCE ASSISTANT, DEPARTMENT OF ENFORCEMENT, 15200 OMEGA DRIVE, SUITE 300, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to [MarketRegulationComp@finra.org](mailto:MarketRegulationComp@finra.org), providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its supervisory procedures to address the deficiencies described in paragraph I.A.3.; and (3) the date the revised procedures were implemented.

Acceptance of this AWC is conditioned upon acceptance of parallel settlement agreements in the same matter between the firm and BZX and EDGX.

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by EDGA.

## II.

### WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under EDGA Rules:

- A. To have a Statement of Charges issued specifying the allegations against the firm;
- B. To be notified of the Statement of Charges and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a Hearing Panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the Appeals Committee of EDGA's Board of Directors, and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the CRO, in connection with the CRO's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

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in the conduct of [its] business, shall observe high standards of commercial honor and just and equitable principles of trade."

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of EDGA Rule 8.16, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

### III.

#### OTHER MATTERS

The firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO, pursuant to EDGA Rule 8.3;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
  1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by EDGA or any other regulator against the firm;
  2. this AWC will be published on a website maintained by EDGA in accordance with EDGA Rule 8.18. In addition, this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record; and
  3. The firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of EDGA, or to which EDGA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which EDGA is not a party.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by EDGA, nor does it reflect the views of EDGA or its staff.

The undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

3/22/2019

Date

Respondent

RBC Capital Markets, LLC

By: 

Name: Paul Carlesimo

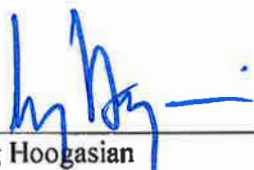
Title: Head of Market Compliance

Reviewed by:

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Attorney Name  
Counsel for Respondent

4/1/2019

Date

  
Greg Hoogasian  
Senior Vice President & Chief Regulatory Officer  
Cboe EDGA Exchange, Inc.

**ELECTION OF PAYMENT FORM**

The firm intends to pay the fine proposed in the attached Letter of Acceptance, Waiver and Consent by the following method (check one):

- A firm check or bank check for the full amount; or
- Wire transfer.

Respectfully submitted,

Respondent  
RBC Capital Markets, LLC

3/22/2019  
Date

By: 

Name: Paul Carlesimo

Title: Head of Markets Compliance